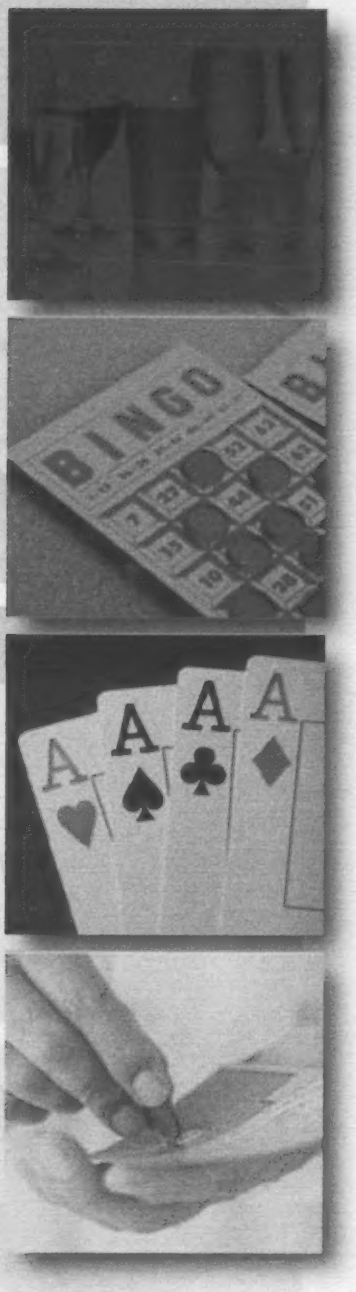

Alcohol and Gaming Commission of Ontario

2014/15 - 2016/17

Business Plan

AGCO Alcohol and Gaming Commission of Ontario | CAJO Commission des alcools et des jeux de l'Ontario

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1. Mandate

The Alcohol and Gaming Commission of Ontario (AGCO) is an arm's-length regulatory agency of the provincial government that was established February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996* (AGRPPA). As of August 2010, the AGCO reports to the Ministry of the Attorney General (MAG). The AGCO is responsible for administering and ensuring compliance with the rules set by the Ontario government acting in the public interest and in accordance with the principles of honesty and integrity, and social responsibility as prescribed in the AGCO's governing legislation.

In fulfilling its regulatory mandate, the AGCO strives to be transparent in its operations and achieve a fair and appropriate balance among the interests and perspectives of its stakeholders to ensure its regulatory activities support the economic viability of the alcohol and gaming industries, while maintaining public safety and confidence in these industries.

AGCO Mandate	AGCO Mission
To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.	The AGCO commits to conducting business in a manner that will: • Develop, implement and enforce fair policies and procedures. • Establish a framework of critical regulatory controls that are in the public interest and are sensitive to the economic viability of the alcohol and gaming industries. • Be client-focused in how we respond to and manage client and stakeholder needs. • Educate clients and stakeholders and develop partnerships. • Create a positive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement.

Activities Regulated by the AGCO

- Sale and service of beverage alcohol.
- Lotteries operated by the Ontario Lottery and Gaming Corporation (OLG) on behalf of the Government of Ontario.
- OLG gaming, including casinos, slot machine facilities, internet gaming (iGaming) and charitable gaming.
- Licensed lottery schemes conducted by charitable, not-for-profit and religious organizations (e.g. bingo, raffles and break open tickets).

Key Regulatory Objectives: Gaming

- Ensure that gaming is operated with honesty and integrity and in the broader public interest.
- Facilitate a competitive and flexible operational environment for Ontario's gaming sites while maintaining the highest standards of regulation.
- Ensure that all games are fair and appear to be fair.
- Maintain public confidence in the integrity of the games.
- Establish a safe and secure environment at all gaming sites.
- Protect the assets of the Crown.

Key Regulatory Objectives: Sale & Service of Alcohol

- Ensure the alcohol sector is operated with honesty and integrity and in the broader public interest.
- Ensure that alcohol is sold and served responsibly.
- Ensure that residents are provided an opportunity to have their views considered during the licensing process.
- Permit Ontarians and their visitors opportunities to responsibly enjoy beverage alcohol within an economically viable hospitality and tourism sector.
- Promote fairness, equity and a level playing field for the industry through effective regulatory assurance activities.
- Focus regulatory activities on promoting proactive compliance with the law and maintaining the broader public interest.

2. AGCO Strategic Direction

The AGCO is currently undergoing a major transformation to modernize the way it regulates to improve services and increase flexibility. The AGCO is becoming more efficient and effective and better able to manage risks to ensure that public confidence, public safety, and the public interest are maintained and government assets and the Crown's reputation are protected in the gaming and liquor industries so as to promote the public's continued trust in government and its ability to deliver on key priorities.

The AGCO has made significant progress over the last year in articulating and advancing its vision and long-term direction by establishing an ambitious Strategic Plan that focuses on five clear Strategic Goals that will help the AGCO navigate challenges and opportunities in the coming years.

The Strategic Plan aligns the Agency's vision and mandate under the following five clear Strategic Goals:

1. **Modern Regulator**
2. **Value for Money**
3. **Strategic Engagement**
4. **Quality Service Experience**
5. **Rewarding Workplace**

The AGCO's Strategic Goals are aligned with and support achievement of key government priorities and

objectives for enhanced accountability, efficiency and value for money in the delivery of public services, evidence-based decision-making and policy development, and minimizing the administrative burden on those regulated by the AGCO. In addition, AGCO's strategic goals are consistent with MAG's strategic goals to: modernize and streamline processes and supporting technology while maintaining core Ministry functions; develop and retain a skilled and engaged workforce, and; promote accountability and value for money.

The AGCO's Strategic Plan is accompanied by an enhanced business planning process and integrated performance measurement approach to ensure current and future initiatives support the achievement of the agency's five Strategic Goals. This strategic realignment, which has taken place during a period of ever expanding responsibilities in both the liquor and gaming sectors, will be an ongoing process over the next five years as it coincides with, leverages and supports other transformational initiatives currently underway.

3. Environmental Scan & Key Accomplishments 2013/14

The liquor and gaming industries in Ontario have become increasingly complex, global and dynamic, challenging the AGCO to adapt its regulatory approach to maintain a high degree of public confidence in these industries. Both industries operate within a complex social and economic context where business and economic considerations need to be balanced against the potential public safety and public health issues.

The AGCO aims to balance the views and interests of industry, public interest stakeholders and government when considering and recommending changes to legislation, regulation or policy or when establishing programs and strategies for regulating these sectors.

The AGCO's operating environment will continue to evolve in coming years. In order to effectively address the challenges and opportunities that lie ahead, the AGCO continues to proactively monitor and anticipate environmental changes in its external and internal operating environment.

Responsible Economic Development

The ongoing government-wide Open for Business initiative is designed to minimize the burden of regulation on Ontario businesses, foster competitiveness and welcome new business to Ontario. The AGCO continued to advance a number of projects which support the overall goals of the Open for Business initiative through its ongoing development of a more modern, informed and targeted approach to regulation that focuses resources on key high risk areas, streamlines and simplifies policies, and provides increased flexibility while maintaining the public interest.

The shift towards a risk and outcomes-based approach to regulating the gaming sector in response to the OLG Modernization Plan, for example, is intended to allow operators and businesses more flexibility to adapt to marketplace changes and ultimately to increase their competitiveness. The AGCO has also recently launched a review of AGCO liquor-related policies and procedures, focusing on reducing regulatory burdens and encouraging responsible economic development for liquor manufacturers, manufacturers' representatives and ferment-on-premise operators while ensuring that the public interest is maintained. This consultation process is supporting an open dialogue with stakeholders and the public in line with Open Ontario's goals.

Legislative and Regulatory Changes

Recent legislative and regulatory changes continue to inform AGCO's approach to regulation. Provincially, reforms to the *Gaming Control Act, 1992* (GCA) that came into effect in July 2012 continue to impact and influence the AGCO's key activities, including the transition towards a Standards-Based Approach to regulation of the gaming sector with the release of the Registrar's Standards for Gaming in April 2013.

The Standards have been made consistent for each industry segment where appropriate, with industry specific standards in place where necessary to address identified risks unique to that sector. The AGCO continues to plan and coordinate the key activities needed to continue the successful implementation of the Registrar's Standards across these targeted gaming segments, including overseeing the development of operators' control environments and the AGCO's regulatory assurance activities.

Also, an amendment made to Ontario Regulation 718 under the *Liquor Licence Act* (LLA) allows liquor delivery services operated by an organization with a charitable purpose to enter into business relationships with liquor manufacturers. This change will benefit local charities that are assisted as a result of new arrangements between liquor manufacturers and liquor delivery services.

Gaming Industry Modernization

The AGCO continues to work with OLG as it moves forward in its efforts to modernize and transform lottery and gaming in Ontario per its March 12, 2012 proposal to the Minister of Finance entitled "Modernizing Lottery and Gaming in Ontario". This report identified three key recommendations: (1) become more customer-focused; (2) expand regulated private sector delivery of lottery and gaming; and (3) renew OLG's role in oversight of lottery and gaming. Implications of OLG Modernization will include the introduction of new gaming channels, multi-lane lottery sales, new gaming sites, rationalization of gaming operations in general, and a greater focus on consumer protection and responsible gambling. The OLG has also recently announced that, coming out of the work done by the Horse Racing Industry Transition Panel, a five-year plan is being developed that will integrate the horse racing sector into the provincial gaming strategy.

The AGCO's operations will continue to be impacted by the OLG Modernization in many ways, including an increase in the volume and complexity of eligibility assessments that determine suitability for registration, requirements for more sophisticated regulatory assurance systems and analytics capabilities, and the need for enhanced internal expertise to ensure responsiveness to this rapidly changing gaming landscape. In particular, new and unique regulatory vulnerabilities and risks resulting from the OLG's introduction of iGaming in Ontario will present regulatory challenges, but also opportunities for the AGCO to position itself as a leader in this area through a strong focus on system security and responsible gambling. As OLG continues to move through its modernization process, the AGCO will be consistently challenged to demonstrate its continued effectiveness as a modern regulator and maintain the high standard of integrity in the gaming sector that both the government and public have come to expect.

The AGCO continues to work with the OLG and industry groups in the new charitable gaming (cGaming) initiative, where the AGCO has a key role through the development of processes, policies and a regulatory assurance structure. The AGCO has also set standards for and reviewed and tested all electronic gaming

products and equipment. This work will continue as the OLG develops new electronic products and further expands operations to future sites.

Strategic Engagement and Partnerships

In order to improve regulatory outcomes and strengthen its effectiveness as a regulator, the AGCO is exploring formal partnerships with other regulators, dedicated monitoring and assessment of domestic and international trends in the alcohol and gaming sectors, and coordinated strategic outreach to key partners and stakeholders.

The AGCO is also establishing formal collaborations with stakeholders and partners to help inform its regulatory approach. Initiatives such as the current round of LLA modernization activities, as well as the AGCO-led Responsible Gambling Roundtable, have included an effort to bring together industry partners and stakeholders to garner feedback on proposed changes and directions in order to better deliver a regulatory approach that is evidence-based and responsive to stakeholder and public interests. The achievement of these and other goals is also enhanced through the AGCO's continued efforts to build strategic partnerships and share information with government ministries and agencies to enhance regulatory cooperation.

Communications Strategy

The AGCO considers effective and timely communications both to AGCO stakeholders and the public as well as internally to employees, as crucial to fulfilling its mandate in the regulation of the alcohol and gaming sectors. In the coming year, comprehensive communications plans and strategies, both external and internal, will be implemented to provide stakeholders and AGCO staff with information about the progress and operational impacts of various projects. For example, the AGCO will use a variety of communications channels such as its website, intranet site, Information Bulletins, Important Notices and stakeholder consultation, as appropriate, to provide updates and information to staff, stakeholders and the public about initiatives such as iGaming, OLG Modernization and regulatory modernization of the liquor industry.

4. Proposed Budget

As an agency reporting to MAG, the AGCO's annual spending authority comes from the Ministry's printed estimates, as approved by the Legislature, and all revenues are remitted to the Consolidated Revenue Fund (CRF). The AGCO Board reviews the annual budget.

Alcohol and Gaming Commission of Ontario – Revenue – ($ thousands)

	2012-2013 Actuals	2013-2014 Outlook	2014-2015 Forecast	2015-2016 Forecast	2016-2017 Forecast
Fees					
Liquor - related	8,848.66	8,953.49	9,013.43	8,904.05	8,831.57
Gaming - related	11,934.30	11,514.08	11,523.56	11,523.56	11,523.56
Sub-Total	20,782.96	20,467.57	20,536.80	20,427.61	20,355.13
Levies					
Liquor – related	4.50	4.50	4.50	4.50	4.50
Gaming – related (Provincial Fee on Break Open Tickets)	6,905.63	6,500.00	6,500.00	6,500.00	6,500.00
Sub-Total	6,910.13	6,504.50	6,504.50	6,504.50	6,504.50
Total Fees and Levies	27,693.09	26,972.07	27,041.49	26,932.11	26,859.63

Alcohol and Gaming Commission of Ontario – Expenditures – ($ thousands)

	2012-2013 Actuals	2013-2014 Outlook	2014-2015 Forecast	2015-2016 Forecast	2016-2017 Forecast
Salaries and Benefits [1]	52,064.14	58,649.50	69,176.70	68,096.70	68,447.00
ODOE (Other Direct Operating Expenses)[2]	10,206.73	17,275.70	23,925.90	9,564.70	10,084.50
Recoveries	-31,577.17	-47,484.90	-63,628.20	-49,994.10	-50,410.50
Total	30,693.70	28,440.30	29,473.90	27,667.30	28,121.00

Alcohol and Gaming Commission of Ontario – Capital Assets – ($ thousands)

	2012-2013 Actuals	2013-2014 Outlook	2014-2015 Forecast	2015-2016 Forecast	2016-2017 Forecast
IT Hardware	247.13	76.50	756.80	716.80	173.94
(RAS) Regulatory Assurance Solution[3]	0.00	1,886.05	6,610.20	0.00	0.00
Deferred Capital Contribution [4]	0.00	-1,886.05	-6,610.20	0.00	0.00

Note:

(1) The AGCO and OPP Collective Agreements end December 31, 2014 and December 31, 2013, respectively.

(2) The AGCO anticipates an expenditure increase in 2014-15 related to Eligibility Assessments for applicants.

(3) The AGCO expects to purchase the components of the RAS over two fiscal years (2013-14 and 2014-15) with on-going service and maintenance costs beginning in 2015-16.

(4) New Account for RAS Recovery established by MAG.

5. Staff Numbers

Staff Numbers *at November 30, 2013*				
	Management	Union	Non-Union	TOTAL
Permanent	55	276	18	349
Part-time Permanent	0	9	20	29
Contract	1	15	6	22
Temporary			9	9
Seconded from other agencies (OLG, MAG)			2	2
TOTAL	56	300	55	411
OPP				157
OIC (Board of Directors)			6	6

6. Performance Measures and Targets

A strategic and integrated approach to performance measurement is needed to target, monitor and evaluate the extent to which the AGCO is accomplishing results. AGCO's newly enhanced performance measurement framework will enable the agency to further improve program effectiveness by promoting a new focus on results, service quality and value for money. This framework will enhance the AGCO's current approach to performance measurement and help build the foundation for effective application of data analytics capabilities to evaluate and measure AGCO policies, programs and performance.

The development, implementation and reporting of performance measures is vital for the AGCO to demonstrate that its policies and programs are meeting both government and internal agency objectives. A systematic and comprehensive approach to performance measurement will not only ensure that the AGCO continues to meet these reporting requirements, but also enables the agency to adopt the key objectives of public sector performance measurement: accountability and transparency. In addition, performance measures will inform resource allocation and decision-making by raising the visibility of strategic measures and helping both divisions and branches to align their individual activities with the agency's broader strategic direction and ensure AGCO is delivering value for money.

The 2012/13 year-end results for performance measures established for the AGCO were effectively on target. Over the next planning cycle, the agency will be guided by a set of Strategic Plan performance measures and targets to gauge the AGCO's progress towards meeting its five Strategic Goals. The AGCO is committed to ensuring that agency-wide performance measures support the goals and objectives outlined in the Strategic Plan. To meet this commitment, the AGCO will continue to engage in multi-year goal setting and continue to refine its approach to linking resource planning and performance measurement, supporting a results-oriented organization.

Strategic Goal Supported	Performance Measure	Five Year Planning Cycle Target
Modern Regulator	Percentage of compliance matters resolved through the Letter of Incident (LOI) process without a request for hearing.	Maintain the ratio of compliance matters resolved through LOI process without request for hearing at an average of 90%.
	Compliance rate of licensees following compliance-focused pilot initiatives.	Rate of infractions declines relative to number of inspections.
	Number of high-risk infractions following transition to a compliance-based operating model.	Maintain an average 30% decrease in infractions compared to benchmark data.
Value for Money	Average gaming and liquor application turnaround time.	Average turnaround time meets or is lower than AGCO internal Agency Standard 90% of the time.
	Average electronic gaming lab testing turnaround time.	Average turnaround time meets or is better than comparable jurisdictions 90% of the time.
	Percentage of Regulatory Assurance Solution (RAS) project charter milestones achieved on time and within overall funding envelope.	Variance between actual RAS milestone achieved and project charter schedule is less than 20%.
Strategic Engagement	Current number of Memoranda of Understanding (MOUs) with external law enforcement and regulatory agencies to advance AGCO's regulatory interests.	Increase number of MOUs by 20%.
	Percentage of stakeholders indicating a high level of engagement following AGCO consultations using a Stakeholder Engagement Plan.	Percentage stakeholders reported feeling engaged/highly engaged during stakeholder consultations averages 80%.
	Number of national and international groups with AGCO representation.	Increase AGCO participation by 5%.
Quality Service Experience	Percentage of gaming suppliers indicating very good/excellent level of service provided by AGCO testing and lab services.	Increase percentage of gaming suppliers indicating very good/excellent level of service to 75%.
	Percentage of gaming operators indicating very good/excellent level of satisfaction with AGCO testing and lab services.	Increase percentage of gaming operators indicating very good/excellent level of service to 75%.
	Percentage of external stakeholders satisfied/highly satisfied with AGCO's communications strategies.	Increase percentage of stakeholders satisfied/ very satisfied benchmarked against 2008 survey results.

Rewarding Workplace	Retention rate of permanent, full-time AGCO employees.	Increase employee retention rate to 95%.
	Participation rate of AGCO staff in employee engagement survey.	Increase participation rate of AGCO staff in employee engagement survey to 80%.
	Percentage of employees indicating internal communications methods are effective/highly effective through employee engagement survey.	Increase percentage of employees indicating internal communications are effective/highly effective benchmarked against 2008 survey results.